

# **Economic Report Series**

## **Final Meeting Report - IMF-World Bank HIPC Evaluation - Mission Mali**

**Sikoro Keita, Jeff Ramin**

**May 30, 2000**



**USAID/Mali - Program Office**

Mali will be recommended for the initial HIPC (Highly Indebted Poor Countries) initiative. This was the principal conclusion of the joint IMF-WORLD BANK mission evaluation, presented Wednesday 24 May 2000 at the Ministry of Economy and Finance.

The mission had two objectives. First, to reassess Mali's eligibility for the HIPC initiative; second, to discuss the Poverty Reduction Strategy Paper (PRSP). In conclusion, the joint team expressed its satisfaction with the performance of the Malian authorities since the last encounter in November 1999, particularly the Government commitment to consolidate reform of the national economy.

Consequently, the team is prepared to recommend to the Bretton Woods congress in July that Mali be included in the initial HIPC round if actions already begun are completed by then. These include:

1. The CMDT financial audit result;
2. The tender to privatize EDM;
3. A feasible budget and financing plan for PRODEC;
4. A clear policy to liberalize the telecommunications sector.

For this last point, it is important that the rules of the game be clear, and that the procedure be transparent and competitive.

The mission and the Minister of Finance were optimistic, however, that all of these requirements would be achieved on time. He stated that significant results had been achieved concerning the various issues under review by the IMF-Bank team, and promised regular follow-up on each. Re. the PRSP, the minister said a plan including all the development actors has been prepared, and it is hoped that all partners will fully participate in executing this plan. As for HIPC, he said the actions required by July are completely feasible. The result of the audit of the CMDT is foreseen for the end of June. The tender for EDM is foreseen by June 21. A plan to finance PRODEC is being finalized.

The government will also announce soon its intention regarding the telecommunications sector.

The joint IMF-World Bank team highlighted the following points:

1. The **macroeconomic position** of the country for 1999 and 2000 was less favorable than predicted due to the negative effects of certain shocks. These include lower world prices for cotton and gold, higher oil prices and the negative effects of the application the TEC (common exterior tariff) across the UEMOA (Economic Union of West African) states.
2. Despite that, the Malian economy is sturdier today than during the early 1990's: GDP growth was 5½% in 1999 vs. projected growth of 6%; growth of 4½% is foreseen for 2000 and 5½% in 2001.
3. **Inflation** is also stable despite increased fuel prices, and is not expected to exceed 3% this year.

4. The **Balance of Payments**, however, has undergone a serious shock, due mainly to the same factors mentioned which contributed to a 20% reduction in the terms of trade. As a result, the current account deficit increased to 10½% in 1999 (from 8½% predicted), and will reach 14% of GDP in 2000.
5. **Public finances** have also deteriorated. Receipts from the important gold and cotton sectors declined substantially. Lower than predicted economic growth also affected public income, as did application of the TEC. Nevertheless, the increase of price fuel was a courageous decision from the Government and allowed it somewhat to reduce these losses. Concerning public expenditures, the 7% increase during 1999 of public servant salaries means the portion of GDP allocated to salaries will rise to more than 4%. This measure, combined with others such as spending on decentralization, underline further the significance of public expenditures in the national finances. In addition, funding CAN 2002 (African National Cup) and the "Cité Administrative" will also increase public investments substantially and increase consequently the **budget deficit** from 9% in 1999 to 10% for 2000. The Minister added that 10 billion CFA per year have been budgeted for the CAN 2002.
6. Regarding the **PRSP**, which is meant to provide a framework for all development initiatives in Mali, the strong commitment of the Malian authorities to elaborate this strategy is encouraging as it will be a key factor in gaining access to the next HIPC initiative. In fact, all countries benefiting from the initial HIPC are eligible for consideration in the enhanced HIPC initiative. For it, the two criteria are the Interim PRSP and the definition of a suitable calendar for the realization of the Final PRSP. A first draft of the interim PRSP was reviewed by the mission. This is encouraging as it indicates ownership of the national poverty strategy by the Malian government. Nevertheless, the results achieved in the fight against poverty remain fragile and require the continued efforts of all the partners.

In conclusion, it is important to underline that the HIPC initiative will release significant funding for the social sectors (education, health and rural development) in Mali, and demonstrate the renewed confidence of the Bretton Woods institutions in the Malian economy and the government's management of overall development in the country. This should also reinforce the confidence and support of other partners. As a result, Mali would benefit greatly from being included among the HIPC participants.